

**CLARINDA
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2006

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CLARINDA COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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BOARD OF EDUCATION

(Before September, 2005 Election)

Dale Fulk	President	2006
Scott McComb	Vice President	2007
Seth Watkins		2005
Larry Scherf		2005
Dian Grimes-Hughes		2006

(After September, 2005 Election)

Dale Fulk	President	2006
Scott McComb	Vice President	2007
Seth Watkins		2008
Larry Scherf		2008
Pallin Turner		2006

SCHOOL OFFICIALS

Paul Honnold	Superintendent
Cindy Van Fossen	District Secretary/ Treasurer

Independent Auditor's Report

To the Board of Education of the
Clarinda Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Clarinda Community School District, Clarinda, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clarinda Community School District as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 6, 2006 on our consideration of Clarinda Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clarinda Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133 Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BRUCE D. FRINK
Certified Public Accountant

September 6, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

CLARINDA COMMUNITY SCHOOL DISTRICT

Clarinda Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,981,304 in fiscal 2005 to \$8,341,116 in fiscal 2006, while General Fund expenditures increased from \$8,009,360 in fiscal year 2005 to \$8,407,153 in fiscal 2006.
- The increase in General Fund revenues was primarily attributable to an increase in tuition and state and federal aid in connection with the Clarinda Youth Academy. Educational services increased at the Academy and by state law are included in the financial records of the District. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and special education expenditures. The unreserved General Fund balance decreased by just over 2 percent. Increases in salary above allowable growth was primarily responsible.
- The District continues its 28E sharing agreement with New Market Community School District. New Market tuitions its students in grades 9-12 to Clarinda.
- The School Infrastructure Local Option Sales Tax continues to be collected. It currently is being used for the retirement of long-term debt.
- The District's Capital Projects Fund increased over \$350,000 as funds are accumulated for payments on long term debt and future capital improvements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the government-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the *short term*, as well as, what remains for future spending.
- The statement for *proprietary funds* offer *short-term* and *long-term* financial information about the activities the District operates *like businesses*, such as food services and community education.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Clarinda Community School District

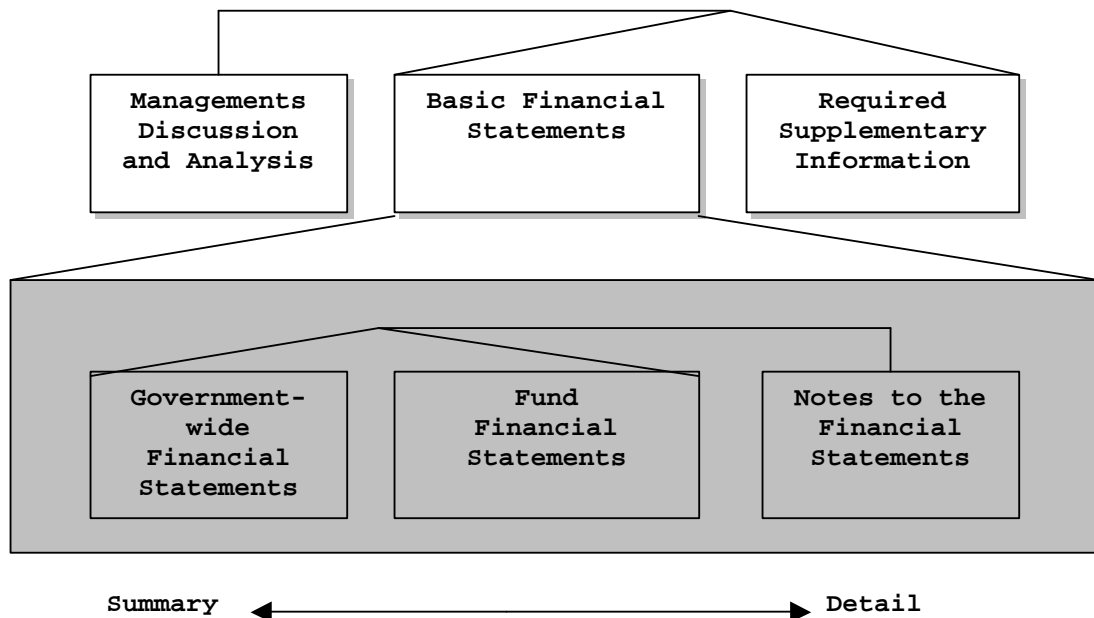


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> Statement of net assets Statement of activities 	<ul style="list-style-type: none"> Balance sheet Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> Statement of net assets Statement of revenues, expenses and changes in net assets Statement of cash flows 	<ul style="list-style-type: none"> Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The two government-wide statements report the District's *net assets* and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition and community education programs are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The District's governmental funds include the General Fund, Special Revenue Funds, and Debt Service Fund.
- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and the Community Education Fund.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others.

Private-Purpose Trust Funds - These are funds donated to the District to be used for specific purposes, such as scholarships.

Agency Funds - These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Financial Analysis of the District as a Whole

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2006 compared to 2005.

Figure A-3
Condensed Statement of Net Assets
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2006	2005	2006	2005	2006	2005	2005-2006
	\$	\$	\$	\$	\$	\$	
Current assets	5,718	5,320	172	158	5,890	5,478	7.52%
Capital assets	8,559	8,807	50	42	8,609	8,849	-2.71%
Total assets	14,277	14,127	222	200	14,499	14,327	1.20%
Current liabilities	3,569	3,512	18	20	3,587	3,532	1.56%
Non-current liabilities	3,020	3,515	-	-	3,020	3,515	-14.08%
Total liabilities	6,589	7,027	18	20	6,607	7,047	-6.24%
Net Assets							
Invested in capital assets, net of related debt	5,044	4,842	50	42	5,094	4,884	4.30%
Restricted	1,212	792	-	-	1,212	792	53.03%
Unrestricted	1,432	1,466	154	138	1,586	1,604	-1.12%
Total net assets	7,688	7,100	204	180	7,892	7,280	8.41%

The District's net assets grew by over 8% primarily due to the accumulation of capital projects monies. Spending on capital assets exceeded depreciation expenses as the District continues to update its equipment and facilities. The unrestricted assets of the District decreased slightly as declining enrollment forces the District to control discretionary spending.

Figure A-4 shows the changes in net assets for the year ended June 30, 2006 and 2005.

Figure A-4
Change in Net Assets
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total School District		Total Change
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2005-06</u>
	\$	\$	\$	\$	\$	\$	%
Revenues:							
Program revenues:							
Charges for service and sales	1,396	1,296	232	221	1,628	1,517	7.32%
Operating grants, contributions and restricted interest	1,546	1,430	208	210	1,754	1,640	6.95%
General revenues:							
Property tax	2,592	2,600	-	-	2,592	2,600	-0.31%
Income surtax	141	240	-	-	141	240	-41.25%
Local option sales tax	484	412	-	-	484	412	17.48%
Unrestricted state grants	3,541	3,335	-	-	3,541	3,335	6.18%
Unrestricted investment earnings	59	26	-	-	59	26	126.92%
Other	<u>5</u>	<u>56</u>	<u>-</u>	<u>-</u>	<u>5</u>	<u>56</u>	<u>-91.07%</u>
Total revenues	<u>9,764</u>	<u>9,395</u>	<u>440</u>	<u>431</u>	<u>10,204</u>	<u>9,826</u>	<u>3.85%</u>
Program expenses:							
Governmental activities:							
Instruction	6,028	5,965	-	-	6,028	5,965	1.06%
Support Services	2,391	2,123	-	-	2,391	2,123	12.62%
Non-instructional programs	-	-	416	408	416	408	1.96%
Other expenses	<u>758</u>	<u>1,008</u>	<u>-</u>	<u>-</u>	<u>758</u>	<u>1,008</u>	<u>-24.80%</u>
Total expenses	<u>9,177</u>	<u>9,096</u>	<u>416</u>	<u>408</u>	<u>9,593</u>	<u>9,504</u>	<u>0.94%</u>
Change in net assets	<u>587</u>	<u>299</u>	<u>24</u>	<u>23</u>	<u>611</u>	<u>322</u>	<u>89.75%</u>

Property tax and unrestricted state grants account for 60% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 88% of the total expenses.

GOVERNMENTAL ACTIVITIES

Revenues for governmental activities were \$9,765,086 and expenses were \$9,593,603. Capital projects funds being saved for future projects accounted for the majority of the increase in net assets.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services		Net Cost of Services		Net Change
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2005-06</u>
	\$	\$	\$	\$	%
Instruction	6,028	5,965	3,496	3,663	-4.56%
Support Services	2,391	2,123	2,282	1,984	15.02%
Other expenses	<u>758</u>	<u>1,008</u>	<u>457</u>	<u>723</u>	<u>-36.79%</u>
Totals	<u>9,177</u>	<u>9,096</u>	<u>6,235</u>	<u>6,370</u>	<u>-2.12%</u>

- The cost financed by users of the District's programs was \$1,395,726.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,021,203.
- The net cost of governmental activities was financed with \$2,592,243 in property tax, \$3,541,040 in state foundation aid, and \$59,194 in interest income.

Business Type Activities

Revenues of the District's business type activities were \$439,633 and expenses were \$415,954. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

Financial Analysis of the District's Funds

As previously noted the Clarinda Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$7,687,205, eight percent above last year's ending fund balances of \$7,099,768.

This was primarily due to the increase in the capital projects fund.

Governmental Fund Highlights

- The District attempted to maintain its General Fund balance by cutting expenses from portions of the budget that were not already obligated, such as supplies and maintenance items.
- The District is accumulating capital projects money for debt retirement and future capital expenditures.

Proprietary Fund Highlights

The Nutrition Fund increased due to increased revenues while holding salary costs steady. The District has attempted to maintain prices at a reasonable level.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund, Debt Service, Capital Project, Enterprise and Special Revenue Funds are not presented in the budgetary comparison on pages 31 thru 33.

Legal Budgetary Highlights

The District's total actual receipts were approximately \$70,000 more than the total budgeted receipts. The most significant change resulted in the District receiving more in federal aid than originally anticipated. This offset the decrease in state funding.

Total expenditures were over \$2 million less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year. The District did not exceed the amounts budgeted in total or any of the four functions. The District also did not exceed the General Fund unspent authorized budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2006, the District has invested more than \$13,500,000 in a broad range of capital assets including school buildings, athletic facilities, central kitchen, maintenance and administrative buildings, computer and audiovisual equipment, maintenance equipment, school buses, library holdings and textbooks. Total depreciation expense for the year exceeded \$430,000.

Figure A-6
Condensed Statement of Net Assets
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-2006
	\$	\$	\$	\$	\$	\$	
Land	116	116	-	-	116	116	0.00%
Land improvements	1,123	972	-	-	1,123	972	15.53%
Buildings	6,893	7,257	-	-	6,893	7,257	-5.02%
Furniture and equipment	427	462	50	42	477	504	-5.36%
Totals	<u>8,559</u>	<u>8,807</u>	<u>50</u>	<u>42</u>	<u>8,609</u>	<u>8,849</u>	<u>-2.71%</u>

Long - Term Debt

The District has \$715,000 of revenue bonds that will fully mature in 2011. The interest rates on this debt ranges from 4.40% to 4.80%. Payments will be made from proceeds of the school infrastructure and local option sales and services tax.

The District issued \$3,150,000 of general obligation bonds in 2005, of which 2,800,000 is still outstanding at June 30, 2006. These funds plus \$790,000 of sales tax revenues were used to retire the existing general obligation bonds. The new bonds will fully mature in 2011, more than five years earlier than the original issue. The interest rates on the new bonds are more than 1.5% less than on the old debt. The District may repay principal on the new debt whenever it desires.

Figure A-7
Outstanding Long-Term Obligations
(expressed in thousands)

	Total District		Total Change
	June 30,		June 30,
	2006	2005	2005-2006
	\$	\$	
General obligation bonds	2,800	3,150	-11.11%
Revenue bonds	<u>715</u>	<u>815</u>	<u>-12.27%</u>
Total	<u>3,515</u>	<u>3,965</u>	<u>-11.35%</u>

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The District's enrollment decreased six percent from fiscal year 2005. Future enrollment trends are uncertain. Open enrollment in students from other districts decreased by 17 students, thus lowering the Districts' miscellaneous income from prior years.
- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired).
- Health insurance costs continue to be a concern for the District. Increased rates based on usage have brought this issue to the forefront when calculating the District's budget.
- Once again unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.
- The District maintains an agreement with Clarinda Youth Academy to administer some of their educational programs. Continuation of this agreement will continue to assist the District.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Paul Honnold, Superintendent, Clarinda Community School District, 423 E Nodaway, Clarinda, IA 51632.

Basic Financial Statements

CLARINDA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2006

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and pooled investments	2,439,676	154,905	2,594,581
Receivables:			
Property tax:			
Current year	35,602	-	35,602
Succeeding year	2,524,642	-	2,524,642
Income surtax	120,982	-	120,982
Due from other governments	175,134	-	175,134
Other receivables	421,729	-	421,729
Inventories	-	17,411	17,411
Capital assets, net of accumulated depreciation (note 3)	8,558,575	49,806	8,608,381
Total assets	<u>14,276,340</u>	<u>222,122</u>	<u>14,498,462</u>
Liabilities			
Accounts payable	481,865	-	481,865
Accrued salary and benefits	54,088	18,252	72,340
Accrued interest payable	10,905	-	10,905
Deferred revenue:			
Succeeding year property tax	2,524,642	-	2,524,642
Federal programs	2,635	-	2,635
Long term liabilities:			
Portion due within one year:			
General obligation bonds (note 4)	385,000	-	385,000
Revenue bonds (note 9)	110,000	-	110,000
Portion due after one year:			
General obligation bonds (note 4)	2,415,000	-	2,415,000
Revenue bonds (note 9)	605,000	-	605,000
Total liabilities	<u>6,589,135</u>	<u>18,252</u>	<u>6,607,387</u>
Net assets			
Invested in capital assets, net of related debt	5,043,575	49,806	5,093,381
Restricted for:			
Management fund	194,882	-	194,882
Debt service	73,371	-	73,371
Physical plant and equipment levy	355,622	-	355,622
Capital projects	587,808	-	587,808
Unrestricted	1,431,947	154,064	1,586,011
Total net assets	<u>7,687,205</u>	<u>203,870</u>	<u>7,891,075</u>

See notes to financial statements.

CLARINDA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

	Program Revenues					Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
	\$	\$	\$	\$	\$	\$
Functions/Programs						
Governmental activities:						
Instruction:	<u>6,028,470</u>	<u>1,306,190</u>	<u>1,226,646</u>	<u>(3,495,634)</u>	<u>-</u>	<u>(3,495,634)</u>
Support services:						
Student services	286,289	-	-	(286,289)	-	(286,289)
Instructional staff services	180,067	-	-	(180,067)	-	(180,067)
Administration services	865,768	89,506	-	(776,262)	-	(776,262)
Operation and maintenance of plant services	771,097	-	19,558	(751,539)	-	(751,539)
Transportation services	<u>288,202</u>	<u>30</u>	<u>-</u>	<u>(288,172)</u>	<u>-</u>	<u>(288,172)</u>
	<u>2,391,423</u>	<u>89,536</u>	<u>19,558</u>	<u>(2,282,329)</u>	<u>-</u>	<u>(2,282,329)</u>
Other expenditures:						
Interest on long-term debt	140,926	-	22,576	(118,350)	-	(118,350)
Long-term debt services	600	-	-	(600)	-	(600)
Facilities acquisition and construction	3,631	-	-	(3,631)	-	(3,631)
AEA flowthrough	277,759	-	277,759	-	-	-
Depreciation (unallocated)*	<u>334,840</u>	<u>-</u>	<u>-</u>	<u>(334,840)</u>	<u>-</u>	<u>(334,840)</u>
	<u>757,756</u>	<u>-</u>	<u>300,335</u>	<u>(457,421)</u>	<u>-</u>	<u>(457,421)</u>
Total governmental activities	9,177,649	1,395,726	1,546,539	(6,235,384)	-	(6,235,384)

CLARINDA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

	Program Revenues					
		Charges for	Operating Grants, Contributions and Restricted Interest	Governmental	Business Type	Total
Expenses		Service		Activities	Activities	
\$		\$	\$	\$	\$	\$
Business type activities:						
Non-instructional programs:						
Food service operations	415,954	232,274	207,359	-	23,679	23,679
Community service and education	-	-	-	-	-	-
	<u>415,954</u>	<u>232,274</u>	<u>207,359</u>	<u>-</u>	<u>23,679</u>	<u>23,679</u>
Total	<u>9,593,603</u>	<u>1,628,000</u>	<u>1,753,898</u>	<u>(6,235,384)</u>	<u>23,679</u>	<u>(6,211,705)</u>
General revenues:						
Property tax levied for:						
General purposes				1,903,723	-	1,903,723
Management fund				149,944	-	149,944
Capital outlay				58,028	-	58,028
Debt service				480,548	-	480,548
Income surtax				140,814	-	140,814
Local option sales tax				484,239	-	484,239
Unrestricted state grants				3,541,040	-	3,541,040
Unrestricted investment earnings				59,194	-	59,194
Other				<u>5,291</u>	<u>-</u>	<u>5,291</u>
Total general revenue				<u>6,822,821</u>	<u>-</u>	<u>6,822,821</u>
Change in net assets				587,437	23,679	611,116
Net assets beginning of year				<u>7,099,768</u>	<u>180,191</u>	<u>7,279,959</u>
Net assets end of year				<u>7,687,205</u>	<u>203,870</u>	<u>7,891,075</u>

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

CLARINDA COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2006

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	1,131,140	66,804	549,278	692,454	2,439,676
Receivables:					
Property tax:					
Current year	26,180	6,567	-	2,855	35,602
Succeeding year	1,883,173	485,040	-	156,429	2,524,642
Income surtax	120,982	-	-	-	120,982
Due from other governments	136,604	-	38,530	-	175,134
Other receivables	421,729	-	-	-	421,729
Total assets	<u>3,719,808</u>	<u>558,411</u>	<u>587,808</u>	<u>851,738</u>	<u>5,717,765</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	476,065	-	-	5,800	481,865
Accrued salary and benefits	54,088	-	-	-	54,088
Deferred revenue:					
Succeeding year property tax	1,883,173	485,040	-	156,429	2,524,642
Income surtax	120,982	-	-	-	120,982
Federal programs	2,635	-	-	-	2,635
Total liabilities	<u>2,536,943</u>	<u>485,040</u>	<u>-</u>	<u>162,229</u>	<u>3,184,212</u>
Fund balances:					
Reserved for debt services	-	73,371	-	-	73,371
Reserved for capital projects	-	-	587,808	-	587,808
Unreserved	<u>1,182,865</u>	<u>-</u>	<u>-</u>	<u>689,509</u>	<u>1,872,374</u>
Total fund balances	<u>1,182,865</u>	<u>73,371</u>	<u>587,808</u>	<u>689,509</u>	<u>2,533,553</u>
Total liabilities and fund balances	<u>3,719,808</u>	<u>558,411</u>	<u>587,808</u>	<u>851,738</u>	<u>5,717,765</u>

See notes to financial statements.

CLARINDA COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2006

Total fund balances of governmental funds (Exhibit C)		\$ 2,533,553
Amounts reported for governmental activities in the statement of net assets are different because:		
Income surtax receivable at June 30, 2006 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.		120,982
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		8,558,575
Accrued interest payable on long-term liabilities is not due and payable in the current period and , therefore, is not reported as a liability in the governmental funds.		(10,905)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
General obligation bonds payable	\$ (2,800,000)	
Revenue bonds payable	<u>(715,000)</u>	<u>(3,515,000)</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 7,687,205</u>

See notes to financial statements.

CLARINDA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund

Year ended June 30, 2006

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	2,041,556	480,548	484,239	207,972	3,214,315
Tuition	1,289,544	-	-	-	1,289,544
Other	170,666	8,397	13,725	225,455	418,243
State sources	4,231,041	454	-	198	4,231,693
Federal sources	608,309	-	-	-	608,309
Total revenues	<u>8,341,116</u>	<u>489,399</u>	<u>497,964</u>	<u>433,625</u>	<u>9,762,104</u>
Expenditures:					
Instruction:	<u>5,790,966</u>	<u>-</u>	<u>-</u>	<u>237,504</u>	<u>6,028,470</u>
Support services:					
Student services	286,289	-	-	-	286,289
Instructional staff services	180,067	-	-	-	180,067
Administration services	862,566	-	-	3,202	865,768
Operation and maintenance of plant services	755,316	-	-	47,349	802,665
Transportation services	<u>254,190</u>	<u>-</u>	<u>-</u>	<u>13,015</u>	<u>267,205</u>
	<u>2,338,428</u>	<u>-</u>	<u>-</u>	<u>63,566</u>	<u>2,401,994</u>
Other expenditures:					
Long-term debt:					
Principal	-	450,000	-	-	450,000
Interest	-	165,873	-	-	165,873
Services	-	600	-	-	600
Facilities acquisition and construction	-	-	-	79,298	79,298
AEA flowthrough	<u>277,759</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>277,759</u>
	<u>277,759</u>	<u>616,473</u>	<u>-</u>	<u>79,298</u>	<u>973,530</u>
Total expenditures	<u>8,407,153</u>	<u>616,473</u>	<u>-</u>	<u>380,368</u>	<u>9,403,994</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(66,037)</u>	<u>(127,074)</u>	<u>497,964</u>	<u>53,257</u>	<u>358,110</u>

CLARINDA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund

Year ended June 30, 2006

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Operating transfers in	-	136,045	-	-	136,045
Operating transfers out	-	-	(136,045)	-	(136,045)
	-	136,045	(136,045)	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(66,037)	8,971	361,919	53,257	358,110
Fund balances beginning of year	1,248,902	64,400	225,889	636,252	2,175,443
Fund balances end of year	1,182,865	73,371	587,808	689,509	2,533,553

See notes to financial statements.

CLARINDA COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2006

Net change in fund balances - total governmental funds (Exhibit E) \$ 358,110

**Amounts reported for governmental activities in the
statement of activities are different because:**

Income surtax receivable at June 30, 2006 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities. 2,982

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 173,304	
Depreciation expense	<u>(421,906)</u>	(248,602)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 24,947

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	-	
Repaid	<u>450,000</u>	<u>450,000</u>

Change in net assets of governmental activities (Exhibit B) \$ 587,437

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Statement of Net Assets
Proprietary Funds

June 30, 2006

	School Nutrition	Cardinals Kids Zone	Total
	\$	\$	
Assets			
Cash and pooled investments	138,223	16,682	154,905
Inventories	17,411	-	17,411
Capital assets, net of accumulated depreciation	49,806	-	49,806
Total assets	205,440	16,682	222,122
Liabilities			
Accrued salary and benefits	18,252	-	18,252
Net assets			
Invested in capital assets, net of related debt	49,806	-	49,806
Unrestricted	137,382	16,682	154,064
Total net assets	187,188	16,682	203,870

See notes to financial statements.

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds

Year ended June 30, 2006

	School Nutrition	Cardinals Kids Zone	Total
	\$		
Operating revenue:			
Local sources:			
Charges for services	<u>232,274</u>	<u>-</u>	<u>232,274</u>
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	128,094	-	128,094
Benefits	54,015	-	54,015
Services	127	-	127
Supplies	223,468	-	223,468
Depreciation	<u>10,250</u>	<u>-</u>	<u>10,250</u>
	<u>415,954</u>	<u>-</u>	<u>415,954</u>
Other enterprise operations:			
Supplies	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>415,954</u>	<u>-</u>	<u>415,954</u>
Operating (loss)	<u>(183,680)</u>	<u>-</u>	<u>(183,680)</u>
Non-operating revenues:			
Interest on investments	3,929	-	3,929
State sources	6,247	-	6,247
Federal sources	<u>197,183</u>	<u>-</u>	<u>197,183</u>
	<u>207,359</u>	<u>-</u>	<u>207,359</u>
Change in net assets	23,679	-	23,679
Net assets beginning of year	<u>163,509</u>	<u>16,682</u>	<u>180,191</u>
Net assets end of year	<u><u>187,188</u></u>	<u><u>16,682</u></u>	<u><u>203,870</u></u>

See notes to financial statements.

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2006

	School Nutrition	Cardinals Kids Zone	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of services	232,274	-	232,274
Cash payments to employees for services	(183,383)	-	(183,383)
Cash payments to suppliers for goods or services	(198,993)	-	(198,993)
Net cash provided by (used in) operating activities	(150,102)	-	(150,102)
Cash flows from non-capital financing activities:			
State grants received	6,247	-	6,247
Federal grants received	174,061	-	174,061
Net cash provided by non-capital financing activities	180,308	-	180,308
Cash flows from capital financing activities:			
Acquisition of fixed assets	(17,983)	-	(17,983)
Cash flows from investing activities:			
Interest on investments	3,929	-	3,929
Net increase in cash and cash equivalents	16,152	-	16,152
Cash and cash equivalents beginning of year	122,071	16,682	138,753
Cash and cash equivalents end of year	138,223	16,682	154,905
Reconciliation of operating income (loss) to net cash used in operating activities:			
Operating income (loss)	(183,680)	-	(183,680)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:			
Depreciation	10,250	-	10,250
Commodities used	23,122	-	23,122
Decrease in inventory	1,480	-	1,480
(Decrease) in accrued payroll and benefits	(1,274)	-	(1,274)
	(150,102)	-	(150,102)
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:			
Current assets:			
Cash	138,223	16,682	154,905

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received federal commodities valued at \$23,122.

See notes to financial statements.

CLARINDA COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2006

	Private Purpose Trusts	Agency
	\$	\$
Assets		
Cash and pooled investments	28,519	11,741
Liabilities		
Other payables	<u>-</u>	<u>11,741</u>
Net Assets		
Reserved for special purposes	<u>28,519</u>	<u>-</u>

See notes to financial statements.

CLARINDA COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2006

	Private Purpose Trust
	<u>\$</u>
Additions:	
Local sources:	
Interest on investments	26
Contributions	<u>10,176</u>
Total additions	<u>10,202</u>
Deductions:	
Support services:	
Other	<u>2,600</u>
Total deductions	<u>2,600</u>
Change in net assets	7,602
Net assets beginning of year	<u>20,917</u>
Net assets end of year	<u><u>28,519</u></u>

See notes to financial statements.

CLARINDA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

Clarinda Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Clarinda, Iowa, and agricultural territory in Page County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Clarinda Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Clarinda Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Page County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition and Community Education Funds. These funds are used to account for the food service and community wide education operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent of individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operation.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected with 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Property, furniture and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for employees with annual contracts corresponding to the current school year, which is payable in July, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2006.

Long-term liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures did not exceed the amounts budgeted in any of the four functions.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2006 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public fund.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2004, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$1,514,338</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk - The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk - The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	<u>115,863</u>	<u>-</u>	<u>-</u>	<u>115,863</u>
Capital assets being depreciated:				
Land Improvements	1,552,212	10,696	-	1,562,908
Buildings	10,783,729	64,971	-	10,848,700
Furniture and Equipment	<u>1,040,480</u>	<u>122,528</u>	<u>34,845</u>	<u>1,128,163</u>
Total capital assets being depreciated	<u>13,376,421</u>	<u>198,195</u>	<u>34,845</u>	<u>13,539,771</u>
Less accumulated depreciation for:				
Land Improvements	362,194	78,145	-	440,339
Buildings	3,748,728	206,974	-	3,955,702
Furniture and Equipment	<u>574,185</u>	<u>136,787</u>	<u>9,954</u>	<u>701,018</u>
Total accumulated depreciation	<u>4,685,107</u>	<u>421,906</u>	<u>9,954</u>	<u>5,097,059</u>
Total capital assets being depreciated, net	<u>8,691,314</u>	<u>(223,711)</u>	<u>24,891</u>	<u>8,442,712</u>
Governmental activities, capital assets, net	<u>8,807,177</u>	<u>(223,711)</u>	<u>24,891</u>	<u>8,558,575</u>
Business type activities:				
Furniture and equipment	97,978	17,983	2,625	113,336
Less accumulated depreciation	<u>55,905</u>	<u>10,250</u>	<u>2,625</u>	<u>63,530</u>
Business type activities capital assets, net	<u>42,073</u>	<u>7,733</u>	<u>-</u>	<u>49,806</u>
Depreciation expense was charged to the following functions:				
Governmental activities:				
Support services:				
Transportation				87,066
Unallocated				<u>334,840</u>
				<u>421,906</u>
Business Type activities:				
Food service operations				<u>10,250</u>

(4) General Obligation Bonds Payable

During the year ending June 30, 2005, the District refinanced its general obligation bond issue. All of the existing bonds were either due or callable on June 1, 2005. The District paid the called bonds of \$3,940,000 with a new issue of \$3,150,000 and \$790,000 of funds from the School Infrastructure Local Option Sales and Services Tax collections. Savings were estimated to be \$906,000 due to a reduction of the interest rates by 1.7% to 1.9% as well as not having to pay interest on the \$790,000 of early payments.

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates %</u>	<u>Interest \$</u>	<u>Principal \$</u>	<u>Total \$</u>
2007	3.375	99,640	385,000	484,640
2008	3.375	86,646	395,000	481,646
2009	3.400	73,315	410,000	483,315
2010	3.550	59,375	425,000	484,375
2011	3.650	44,288	440,000	484,288
2012	3.750	28,227	455,000	483,227
2013	3.850	<u>11,165</u>	<u>290,000</u>	<u>301,165</u>
Total		<u>\$402,656</u>	<u>2,800,000</u>	<u>3,202,656</u>

(5) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2006 is as follows:

	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Total</u>
Balance beginning of year	\$3,150,000	815,000	3,965,000
Additions	-	-	-
Reductions	<u>3,500,000</u>	<u>100,000</u>	<u>4,500,000</u>
Balance end of year	<u>\$2,800,000</u>	<u>715,000</u>	<u>3,515,000</u>

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$256,677, \$251,231, and \$243,963 respectively, equal to the required contributions for each year.

(7) Risk Management

Clarinda Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance, except as described in the following paragraph. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District pays the deductible on the employee health insurance. The District is self-insuring the costs of the increase in deductible. The maximum liability for the District in the coming year is estimated to be \$54,723.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$277,759 for year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Revenue Bonds Payable

Details of the District's June 30, 2006 School Infrastructure Sales and Services Tax Revenue bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates %</u>	<u>Interest \$</u>	<u>Principal \$</u>	<u>Total \$</u>
2007	4.40	31,225	110,000	141,225
2008	4.70	26,103	115,000	141,103
2009	4.70	20,580	120,000	140,580
2010	4.80	14,640	130,000	144,640
2011	4.80	<u>5,760</u>	<u>240,000</u>	<u>245,760</u>
Total		<u>98,308</u>	<u>715,000</u>	<u>813,308</u>

(10) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$136,045</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(11) Commitments

As of June 30, 2006 the District had accepted bids for the following projects to be completed and paid for in fiscal year ending June 30, 2007.

Bus purchase	\$ 64,390
Boiler replacement	\$103,572
Roof replacement	\$ 79,975

Required Supplementary Information

CLARINDA COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2006

	Governmental Fund Types	Proprietary Fund Type	Total	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Actual	Actual	Actual	Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues						
Local sources	4,922,102	236,203	5,158,305	5,066,160	5,066,160	92,145
State sources	4,231,693	6,247	4,237,940	4,444,513	4,444,513	(206,573)
Federal sources	608,309	197,183	805,492	620,000	620,000	185,492
Total revenues	<u>9,762,104</u>	<u>439,633</u>	<u>10,201,737</u>	<u>10,130,673</u>	<u>10,130,673</u>	<u>71,064</u>
Expenditures						
Instruction	6,028,470	-	6,028,470	6,890,972	6,890,972	862,502
Support services	2,401,994	-	2,401,994	3,030,000	3,030,000	628,006
Non-instructional programs	-	415,954	415,954	666,000	666,000	250,046
Other expenditures	973,530	-	973,530	1,377,842	1,377,842	404,312
Total expenditures	<u>9,403,994</u>	<u>415,954</u>	<u>9,819,948</u>	<u>11,964,814</u>	<u>11,964,814</u>	<u>2,144,866</u>
Excess of revenues over expenditures	358,110	23,679	381,789	(1,834,141)	(1,834,141)	2,215,930
Other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	358,110	23,679	381,789	(1,834,141)	(1,834,141)	2,215,930
Balance beginning of year	<u>2,175,443</u>	<u>180,191</u>	<u>2,355,634</u>	<u>2,208,506</u>	<u>2,208,506</u>	<u>147,128</u>
Balance end of year	<u><u>2,533,553</u></u>	<u><u>203,870</u></u>	<u><u>2,737,423</u></u>	<u><u>374,365</u></u>	<u><u>374,365</u></u>	<u><u>2,363,058</u></u>

See accompanying independent auditor's report.

CLARINDA COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2006, expenditures did not exceed the amounts budgeted in any of the functions. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2006

	Management	Student Activity	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	198,620	139,005	354,829	692,454
Property tax receivable:				
Current year	2,062	-	793	2,855
Succeeding year	100,000	-	56,429	156,429
Other receivables	-	-	-	-
Total assets	<u>300,682</u>	<u>139,005</u>	<u>412,051</u>	<u>851,738</u>
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	5,800	-	-	5,800
Deferred revenue:				
Succeeding year property tax	100,000	-	56,429	156,429
	<u>105,800</u>	<u>-</u>	<u>56,429</u>	<u>162,229</u>
Fund balance:				
Unreserved fund balance	<u>194,882</u>	<u>139,005</u>	<u>355,622</u>	<u>689,509</u>
Total liabilities and fund balance	<u>294,882</u>	<u>139,005</u>	<u>412,051</u>	<u>845,938</u>

See accompanying independent auditor's report.

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds

Year ended June 30, 2006

	Management	Student Activity	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	149,944	-	58,028	207,972
Other	5,192	206,095	14,168	225,455
State sources	143	-	55	198
Total revenues	<u>155,279</u>	<u>206,095</u>	<u>72,251</u>	<u>433,625</u>
Expenditures:				
Instruction:	35,774	201,730		237,504
Support services:				
Instructional staff support	-	-	-	-
Administration	3,202	-	-	3,202
Plant operation and maintenance	47,349	-	-	47,349
Student transportation	13,015	-	-	13,015
Other expenditures:				
Facilities acquisition and construction	-	-	79,298	79,298
Total expenditures	<u>99,340</u>	<u>201,730</u>	<u>79,298</u>	<u>380,368</u>
Excess (deficiency) of revenues over (under) expenditures	55,939	4,365	(7,047)	53,257
Fund balances beginning of year	<u>138,943</u>	<u>134,640</u>	<u>362,669</u>	<u>636,252</u>
Balance end of year	<u>194,882</u>	<u>139,005</u>	<u>355,622</u>	<u>689,509</u>

See accompanying independent auditor's report.

CLARINDA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

Account	Balance Beginning of Year \$	Revenues \$	Expenditures \$	Balance End of Year \$
DISTRICT-WIDE ACCOUNTS				
Paperback Books	119	5,963	5,961	121
Field Trips	800	623	618	805
Athletic Booster Club	-	2,424	2,424	-
Wrestling Boosters	-	1,006	938	68
Band Booster Club	6	3,260	3,119	147
Partners in Education	2,929	1,790	4,458	261
Student Activity Interest	7,975	3,829	11,798	6
Elementary Track Program	-	974	974	-
Gate Receipts	67,255	55,258	109,344	13,169
	<u>79,084</u>	<u>75,127</u>	<u>139,634</u>	<u>14,577</u>
HIGH SCHOOL CLUBS AND ORGANIZATIONS				
Drama	(661)	11,225	5,064	5,500
Music Resale	(572)	3,671	2,599	500
Activity Tickets	7,558	7,393	14,951	-
Annual	4,725	4,480	3,615	5,590
Concessions	9,402	31,940	29,754	11,588
Cheerleaders	3,259	7,223	8,166	2,316
Honor Society	536	1,167	703	1,000
Student Council	476	1,951	1,115	1,312
Spanish Club	33	-	-	33
AFS Students	178	-	-	178
Thespian Club	3,599	8,125	8,514	3,210
Weightlifting Club	2,315	1,812	717	3,410
FFA	3,515	21,990	21,251	4,254
FCCLA	2,240	10,685	10,045	2,880
Activities Resale	1,154	6,384	5,628	1,910
Alternative HS Concessions	294	-	-	294
Class of 2005	1,476	-	1,476	-
Class of 2006	2,010	7,689	9,699	-
Class of 2007	1,974	762	2,853	(117)
Class of 2008	1,039	1,987	1,253	1,773
Class of 2009	-	2,021	1,238	783
REACH Leadership Team	392	-	-	392
	<u>44,942</u>	<u>130,505</u>	<u>128,641</u>	<u>46,806</u>
HIGH SCHOOL ATHLETICS				
Cross Country	535	1,875	910	1,500
Golf	(110)	2,527	917	1,500
Boys Basketball	(8)	7,287	3,279	4,000
Football	1,080	13,901	6,981	8,000
Baseball	(96)	7,797	3,701	4,000

CLARINDA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

Account	Balance Beginning of Year \$	Revenues \$	Expenditures \$	Balance End of Year \$
HIGH SCHOOL ATHLETICS (continued)				
Boys Track	607	5,785	2,892	3,500
Boys Tennis	340	848	188	1,000
Wrestling	(322)	6,537	2,715	3,500
Girls Basketball	803	5,718	2,521	4,000
Volleyball	(426)	7,807	3,381	4,000
Softball	14	7,113	3,127	4,000
Girls Track	338	5,773	2,611	3,500
Girls Tennis	265	958	223	1,000
Athletic Director	(2,120)	34,102	13,982	18,000
	<u>900</u>	<u>108,028</u>	<u>47,428</u>	<u>61,500</u>
MIDDLE SCHOOL CLUBS AND ORGANIZATIONS				
Activity Tickets	4,225	4,651	8,876	-
Teachers	20	-	-	20
Science Fair	651	319	236	734
Music Resale	(454)	3,887	2,933	500
Yearbook	199	1,893	1,592	500
Student Council	176	5,569	4,745	1,000
Fiesta Bowl	42	-	-	42
Kirsch Vocational Fundraising	228	-	-	228
Activities Resale	297	1,887	1,457	727
IAMLE Conference	275	-	-	275
	<u>5,659</u>	<u>18,206</u>	<u>19,839</u>	<u>4,026</u>
MIDDLE SCHOOL ATHLETICS				
Track	(95)	2,625	1,030	1,500
Boys Basketball	242	3,017	1,559	1,700
Football	1,267	2,172	939	2,500
Wrestling	408	916	324	1,000
Girls Basketball	(98)	2,522	924	1,500
Volleyball	595	2,172	1,267	1,500
	<u>2,319</u>	<u>13,424</u>	<u>6,043</u>	<u>9,700</u>
ELEMENTARY SCHOOL ORGANIZATIONS				
Teachers	1,548	2,392	1,732	2,208
Jump Rope For Heart	188	-	-	188
	<u>1,736</u>	<u>2,392</u>	<u>1,732</u>	<u>2,396</u>
Total	<u>134,640</u>	<u>347,682</u>	<u>343,317</u>	<u>139,005</u>
Less interaccount transfers		<u>(141,587)</u>	<u>(141,587)</u>	
Grand total	<u><u>134,640</u></u>	<u><u>206,095</u></u>	<u><u>201,730</u></u>	<u><u>139,005</u></u>

See accompanying independent auditor's report.

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Statement of Fiduciary Net Assets
Private Purpose Trust Funds

June 30, 2006

	Y-Teen Scholarship	Evelyn Warren Memorial	HS Teachers Scholarship Fund	CEA Scholarship	Port Stitt Estate	Swanson Fund
	\$	\$	\$	\$	\$	\$
Assets						
Cash and pooled investments	<u>2,858</u>	<u>72</u>	<u>7,876</u>	<u>15,489</u>	<u>73</u>	<u>569</u>
	<u>2,858</u>	<u>72</u>	<u>7,876</u>	<u>15,489</u>	<u>73</u>	<u>569</u>
Net Assets						
Reserved for scholarships	<u>2,858</u>	<u>72</u>	<u>7,876</u>	<u>15,489</u>	<u>73</u>	<u>569</u>
	<u>2,858</u>	<u>72</u>	<u>7,876</u>	<u>15,489</u>	<u>73</u>	<u>569</u>

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Statement of Fiduciary Net Assets
Private Purpose Trust Funds

June 30, 2006

	P. Mascher Memorial <u>Scholarship</u>	Spinler Memorial <u>Scholarship</u>	Mary Sperry Memorial <u>Scholarship</u>	<u>Total</u>
	\$	\$	\$	\$
Assets				
Cash and pooled investments	<u>629</u>	<u>503</u>	<u>450</u>	<u>28,519</u>
	<u>629</u>	<u>503</u>	<u>450</u>	<u>28,519</u>
Net Assets				
Reserved for scholarships	<u>629</u>	<u>503</u>	<u>450</u>	<u>28,519</u>
	<u>629</u>	<u>503</u>	<u>450</u>	<u>28,519</u>

See accompanying independent auditor's report.

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Statement of Changes in Fiduciary Net Assets
Private Purpose Trusts

Year ended June 30, 2006

	Y-Teen Scholarship	Evelyn Warren Memorial	HS Teachers Scholarship Fund	CEA Scholarship	Port Stitt Estate	Swanson Fund
	\$	\$	\$	\$	\$	\$
Additions:						
Local sources:						
Interest on investments	26	-	-	-	-	-
Contributions	-	-	10,176	-	-	-
	<u>26</u>	<u>-</u>	<u>10,176</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deductions:						
Instruction:						
Regular instruction:						
Supplies	-	-	-	-	-	-
Other	300	-	2,300	-	-	-
	<u>300</u>	<u>-</u>	<u>2,300</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	(274)	-	7,876	-	-	-
Net assets beginning of year	<u>3,132</u>	<u>72</u>	<u>-</u>	<u>15,489</u>	<u>73</u>	<u>569</u>
Net assets end of year	<u><u>2,858</u></u>	<u><u>72</u></u>	<u><u>7,876</u></u>	<u><u>15,489</u></u>	<u><u>73</u></u>	<u><u>569</u></u>

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Statement of Changes in Fiduciary Net Assets
Private Purpose Trusts

Year ended June 30, 2006

	<u>P. Mascher Memorial Scholarship</u>	<u>Spinler Memorial Scholarship</u>	<u>Sperry Scholarship</u>	<u>Total</u>
	\$	\$	\$	\$
Additions:				
Local sources:				
Interest on investments	-	-	-	26
Contributions	-	-	-	10,176
	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,202</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deductions:				
Instruction:				
Regular instruction:				
Supplies	-	-	-	-
Other	-	-	-	2,600
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,600</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	-	-	-	7,602
Net assets beginning of year	<u>629</u>	<u>503</u>	<u>450</u>	<u>20,917</u>
Net assets end of year	<u><u>629</u></u>	<u><u>503</u></u>	<u><u>450</u></u>	<u><u>28,519</u></u>

See accompanying independent auditor's report.

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Statement of Fiduciary Net Assets
Agency Funds

June 30, 2006

	Nurse's Fund	American Field Service	Bossingham Fund	Ed Butler Memorial Fund	Pamida Foundation Fund	Dorothy Miller Memorial	Total
	\$	\$	\$	\$	\$	\$	\$
Assets							
Cash and pooled investments	<u>6,473</u>	<u>572</u>	<u>1,672</u>	<u>975</u>	<u>2,048</u>	<u>1</u>	<u>11,741</u>
	<u><u>6,473</u></u>	<u><u>572</u></u>	<u><u>1,672</u></u>	<u><u>975</u></u>	<u><u>2,048</u></u>	<u><u>1</u></u>	<u><u>11,741</u></u>
Liabilities							
Other payables	<u>6,473</u>	<u>572</u>	<u>1,672</u>	<u>975</u>	<u>2,048</u>	<u>1</u>	<u>11,741</u>
	<u><u>6,473</u></u>	<u><u>572</u></u>	<u><u>1,672</u></u>	<u><u>975</u></u>	<u><u>2,048</u></u>	<u><u>1</u></u>	<u><u>11,741</u></u>

See accompanying independent auditor's report.

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds

June 30, 2006

	Nurse's Fund	American Field Service	Wrestling Facility	Press Box Renovations	Bossingham Fund	Ed Butler Memorial Fund	Pamida Foundation Fund	Dorothy Miller Memorial	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance beginning of year	<u>6,488</u>	<u>572</u>	<u>393</u>	<u>4,229</u>	<u>918</u>	<u>1,036</u>	<u>4,171</u>	<u>1</u>	<u>17,808</u>
Additions:									
Contributions	<u>500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,139</u>	<u>600</u>	<u>-</u>	<u>-</u>	<u>4,239</u>
Deductions:									
Miscellaneous	<u>515</u>	<u>-</u>	<u>393</u>	<u>4,229</u>	<u>2,385</u>	<u>661</u>	<u>2,123</u>	<u>-</u>	<u>10,306</u>
Balance end of year	<u><u>6,473</u></u>	<u><u>572</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>1,672</u></u>	<u><u>975</u></u>	<u><u>2,048</u></u>	<u><u>1</u></u>	<u><u>11,741</u></u>

See accompanying independent auditor's report.

CLARINDA COMMUNITY SCHOOL DISTRICT

Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2006	2005	2004	2003
Local sources:				
General	2,041,556	2,112,646	2,213,266	2,210,353
Special revenue/debt service	688,520	609,039	586,459	553,837
Capital projects	484,239	411,970	470,369	360,800
	<u>3,214,315</u>	<u>3,133,655</u>	<u>3,270,094</u>	<u>3,124,990</u>
State sources:				
General	4,231,041	3,973,263	3,752,207	3,764,641
Special revenue/debt service	652	613	6,620	-
School nutrition	6,247	6,371	6,188	5,951
	<u>4,237,940</u>	<u>3,980,247</u>	<u>3,765,015</u>	<u>3,770,592</u>
Federal sources:				
General	608,309	487,546	410,945	428,235
Special revenue/debt service	-	-	19,104	-
School nutrition	197,183	201,385	190,127	167,279
	<u>805,492</u>	<u>688,931</u>	<u>601,072</u>	<u>595,514</u>
Total	<u>8,257,747</u>	<u>7,802,833</u>	<u>7,636,181</u>	<u>7,491,096</u>

See accompanying independent auditor's report.

CLARINDA COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u> \$
Indirect:			
Department of Agriculture:			
Iowa Department of Education:			
Food Distribution	10.550	FY06	<u>23,122</u>
School Nutrition Cluster Programs:			
National School Breakfast Program	10.553	FY06	35,201
National School Lunch Program	10.555	FY06	<u>138,859</u>
			<u>174,060</u>
Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	1197-G-06	108,406
Title I Grants to Local Educational Agencies	85.010	1197-GC-06	9,116
Title I Grants to Local Educational Agencies	84.010	1197-D-06	<u>322,090</u>
			<u>439,612</u>
Safe and Drug-Free Schools and Communities -			
States Grants	84.186	FY06	4,977
Innovative Education Program Strategies	84.298	FY06	4,169
Grants for Assessments and Related Activities	84.369	FY06	7,038
Improving Teacher Quality - States Grants	84.367	FY06	46,521
Iowa Western Community College			
Vocational Education - Basic Grants to States	84.048	FY06	11,830
Loess Hills Area Education Agency 13			
Special Education - Grants to States	84.027	FY06	<u>56,348</u>
Total			<u><u>767,677</u></u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Clarinda Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basis financial statements.

See accompanying independent auditor's report.

**Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

To the Board of Education of the
Clarinda Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Clarinda Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 6, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clarinda Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 06-II-A is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clarinda Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Clarinda Community School District and other parties to whom Clarinda Community School District may report, including federal awarding agencies and pass through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Clarinda Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BRUCE D. FRINK
Certified Public Accountant

September 6, 2006

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control
over Compliance in Accordance with OMB Circular A-133**

To the Board of Education of the
Clarinda Community School District:

Compliance

We have audited the compliance of Clarinda Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Clarinda Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of Clarinda Community School District's management. Our responsibility is to express an opinion on Clarinda Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clarinda Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Clarinda Community School District's compliance with those requirements.

In our opinion Clarinda Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Clarinda Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Clarinda Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a matter involving the internal control over compliance and its operation that we consider to be reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Clarinda Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements. The reportable condition is described as item 06-III-A of the accompanying Schedule of Findings and Questions Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe item 06-III-A is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Clarinda Community School District and other parties to whom Clarinda Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

BRUCE D. FRINK
Certified Public Accountant

September 6, 2006

CLARINDA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A reportable condition in internal control over major programs was disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The District's major program was as follows:
 - CFDA Number 84.010 - Title I Grants to Local Education Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Clarinda Community School District did not qualify as a low-risk auditee.

CLARINDA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

06-II-A SEGREGATION OF DUTIES

Comment - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

Part III: Findings For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

CFDA Number: 84.010 Title I Grants to Local Education Agencies

Agency Number: 1197-G-06, 1197-GC-06, 1197-D-06

Federal Award Year: 2006

US Department of Education

Passed through Iowa Department of Education

06-III-A Segregation of Duties over Federal Funds - The District did not properly segregate custody, record-keeping and reconciling functions for funds, including those related to Federal programs.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

CLARINDA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Part IV: Other Findings Related to Required Statutory Reporting:

- 06-IV-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2006.
- 06-IV-B Certified Budget - Expenditures for the year ended June 30, 2006, did not exceed the certified budgeted amounts.
- 06-IV-C Questionable Disbursements - No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 06-IV-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 06-IV-E Business Transactions - No business transactions between the District and District officials or employees were noted.
- 06-IV-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 06-IV-G Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- 06-IV-H Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- 06-IV-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 06-IV-J Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.